

Questions & Answers about Paying your Sales & Use Tax on an Accelerated Basis

Issued under authority of Public Acts 17 and 18 of 1993.

Key Factors About Filing Your Sales and Use Tax on an Accelerated Basis.

- You are required to make your transmissions for your tax liability as follows:
 1. A transmission of 50 percent of your current month's tax liability or 50 percent of the prior year's tax liability (for the same month) will be due on or before the 20th day of the current month.
 2. A second transmission of 50 percent will be due on or before the last day of the current month.
 3. A reconciliation (third) payment will be due on the 20th day of the subsequent month.
- There is no maximum discount per month. There is a minimum discount of \$6.00.
- All discounts including gas credit discounts, will be calculated at 1/2 of 1 percent.

1. Am I still required to file a monthly paper return when I am transmitting my payment by Electronic Funds Transfer (EFT)?

No. Once you begin to transmit electronically you no longer file monthly returns nor submit your monthly figures. The only return required is Form 165, *Annual Return for Sales, Use and Withholding Taxes* due February 28th each year.

2. If either my Sales or Use tax exceeds \$720,000, am I required to file both taxes on an accelerated basis?

Yes. Public Acts 17 and 18 of 1993, as amended, require taxpayers with a sales and use tax liability of at least \$720,000 for the preceding calendar year to pay both their sales and use taxes on an accelerated basis. A separate transmission for each tax must be made.

NOTE: Compliance is neither optional nor discretionary. The requirement is reviewed annually based on the preceding calendar year. You will be notified in writing of any changes in your filing status.

3. If I change banks who do I need to notify?

EFT Credit filers supply their new bank with Form 2329, *Instructions for Payments of Michigan Sales, Use or Withholding Taxes Using EFT Credits*. We recommend your new bank do a test transmission.

EFT Debit filers complete and return Form 2439, *Notice of Addition or Change of Tax Types/Bank Change*.

4. Can you provide the 50% calculation and payment due dates for filing accelerated Sales and Use tax in a specific return period?

For the September 2004 filing period, an EFT payment equal to 50% of the September 2003 tax (before discounts), or payment equal to 50% of the actual September 2004 tax (before discounts), is due. The settlement

date for this payment is on or before the 20th of the month, and must be initiated by 4:00pm EST, 1 business day prior to the 20th (September 17, 2004).

A second EFT payment, equal to 50% of the September 2003 tax (before discounts), or payment equal to 50% of the actual September 2004 tax (before discounts), is due. The settlement date for this payment is on or before the last day of the month, and must be initiated by 4:00 PM EST, 1 business day prior to the last day of the month (September 29, 2004).

If the total tax liability for September 2004 exceeds the available credit, a third payment is required. The settlement date for this reconciliation payment must be on or before the 20th of the following month, and must be initiated by 4:00 PM EST, 1 business day prior to the 20th (October 19, 2004). If the tax liability for September is less than the applied credit, fax a completed Form 2448, *Taxpayer's Request to Move an EFT Credit*. (See question 6).

5. Does the reconciliation payment of the previous month have to be transmitted separately from the 50% payment for the current month?

Yes. A separate transmission must be made for each payment to identify the type of tax and the tax period. You may not combine sales and use tax payments into one lump sum transmission. Also, you may not combine a sales or use tax payment for the current month with the reconciliation payment for the previous month into one lump sum payment for the same type of tax.

6. Am I required to account for credits and overpayments?

Yes. If a month's actual tax due is less than the credit applied to that month, you must transfer that credit by faxing a completed Form 2448 to (517) 636-4356. For the month to which the credit is transferred, reduce the

payment due by the amount of reported credit and transmit the difference. A zero transmission for the reconciliation payment is not necessary if a completed Form 2448 is received.

NOTE: Failure to file Form 2448 will result in inaccurate figures for the subsequent month or inaccurate year end figures used to determine compliance with the 50% payment requirement. In addition, failure to file Form 2448 will result in a delinquency on your account and could result in an estimated assessment.

7. Do I still need to initiate an EFT transfer if my calculated tax due is \$0.00?

If you have no tax due for the 50% prepayment, or if your credit forward from a previous month covers your 50% estimate for a specific tax, you must transmit zero for that tax. If you have no tax due for the second 50% prepayment, or if you are still in a credit situation for a specific tax, you must transmit zero for that tax.

8. Does use tax on purchases have to be paid on an accelerated basis even if my liability is small?

Yes. Use tax on purchases must be calculated and paid on an accelerated schedule.

9. I am required to file on an accelerated basis for sales and use taxes but my withholding tax liability is quite small. How shall I file my withholding?

We encourage all taxpayers who are required to pay their sales or use taxes by Electronic Funds Transfer (EFT) method to pay all of their taxes by EFT. When electing to pay your withholding by EFT, your payment would still be due on the 20th of the following month. This eliminates the need to file returns. If a taxpayer does not want to file withholding taxes by EFT, we will assign separate Michigan Establishment (ME) account numbers so we can generate returns for reporting and remitting withholding.

10. What if the due date falls on a weekend or holiday?

If the 20th or the last day of the month falls on a weekend, state holiday or banking holiday, the due date is the next business day.

NOTE: For a listing of specific state holidays, refer to Form 3149, *Sales, Use and Withholding Tax Due Dates for Holidays and Weekends*.

11. Explain the option of paying 50% of the current month's actual liability.

You may estimate the current month's total tax liability if it is expected to be significantly lower than the tax liability from the same month in the prior year. You will

transmit two payments equal to 50% of the estimate. The current month's liability should be estimated carefully as penalty and interest may apply to underestimated tax.

12. Is the 50% calculated before or after the discounts were taken last year?

Compute your 50% payment on your total liability before the discount was taken. Then reduce your payment by the amount of your current discount.

13. Do we still receive a discount?

Yes. A discount remains available for the tax rate up to 4%. A discount is not available for tax at the additional 2% tax rate (effective with the passage of Proposal A on May 1, 1994). There is no maximum dollar amount of discount per month. The minimum discount of \$6.00 is applicable. The discount is limited to 1/2 of 1%.

NOTE: *Discounts apply only to sales tax and to use tax on sales and rentals. There is no discount for use tax on purchases.*

14. If the discount drops me below the \$720,000 threshold for accelerated filing, am I still required to file my sales and use taxes on an accelerated basis?

Yes. Accounts are reviewed annually based on the preceding calendar year. If you fall below the \$720,000 threshold before discounts for the preceding year, you will be notified in writing of any changes in your filing status.

15. How are discounts calculated? Is there still a minimum/maximum?

Public Acts 265, 266 and 267 of 1998 provide for a discount of 1/2 of 1% (.005) for taxes due at the rate of 4% in the following situations:

- When the first payment is received on or before the 20th day of the current month.
- When the second payment is received on or before the last day of the current month.
- When the reconciliation payment is received on or before the 20th day of the subsequent month, but only if the first and second payments are paid and correctly calculated.

With the tax rate at 6% beginning May 1, 1994, discounts are calculated by applying the discount percentage to 2/3 or 66.67% (.6667) of the tax due.

NOTE: *There is no maximum discount per month. The minimum discount of \$6.00 is applicable. The 3/4 of 1% (.0075) is no longer available.*

Example

To receive 1/2 of 1 percent discount on your first accelerated payment, you must pay:

A. 50% of the prior year's tax liability for the current month by the 20th day of the month,

or

B. 50% of the actual current month's tax liability by the 20th day of the current month.

To receive 1/2 of 1% discount on the second accelerated 50% payment, the payment must be received on or before the last day of the month for which the tax is due.

To receive 1/2 of 1% discount on the reconciliation payment, the payment must be received on or before the 20th day of the subsequent month following the taxable period for which the tax is due and the first and second payments are correctly calculated and paid.

To illustrate:

The ABC Mailing Company had a total tax liability for September 2003 of \$100,000 and wants to get the 1/2 of 1% discount on each payment. The first 50% payment must be received on or before September 20, 2004, the second must be received on or before the last day of the month, and the reconciliation payment must be received by October 20, 2004. The remittance is computed as follows:

September 2003 liability \$100,000

First 50% payment due September 20, 2004.

\$100,000 x .50 \$50,000.00 (payment due)

\$50,000 x .6667 x .005 -166.67 (discount)

Total remittance due \$49,833.33

Second 50% payment due on or before the last day of the month.

\$100,000 x .50 \$50,000.00

\$50,000 x .6667 x .005 -166.67

Total remittance due \$49,833.33

ABC's September 2004 actual liability is \$110,000. It pays the balance due before October 20, 2004 and computes the amount due as follows:

September 2004 balance due is \$10,000 due October 20, 2004.

\$110,000 - \$100,000 \$10,000.00

\$10,000 x .6667 x .005 -33.33

Total remittance due \$9,966.67

16. Explain treatment of gas credits.

If your previous year's net liability (after your gas credits) is more than the filing threshold, you are required to file your sales and use taxes on an accelerated basis. To compute the amount due, subtract the gas credit from your previous year's liability, and multiply the difference by 50%. Then reduce your payment by the discount allowed as previously explained.

If you are filing Form 2189, *Retailers Supplemental Report* complete lines 5 and 6. If you are filing Form 429, *Wholesale Distributor Prepaid Sales Tax Report* complete lines 6 through 9. The discount is limited to 1/2 of 1% of the total liability due. Mail the reports when you make your second payment for the tax period.

17. A division of a corporation does not have as great a liability as the corporation itself. Is the division required to file its sales and use tax on an accelerated basis?

Yes. The corporation is considered one legal entity, which includes all divisions.

18. If we are already paying by EFT and add a new tax, must we file another test transmission?

Test transmissions are necessary for EFT credit filers when adding a new tax type. If you file using the EFT debit method, Form 2439 is required.

19. What are the due dates for Single Business Tax estimates?

If the estimated liability for the tax year is over \$600, quarterly estimates must be filed with payment. For calendar year taxpayers, quarterly returns are due the last day of April, July, October, and January. For fiscal year filers, quarterly returns are due the last day of the first month after each quarter. Annual payments are due on or before the last day of the 4th month after the end of your tax year. For more information, contact the Single Business Tax Customer Contact Section at (517) 636-4700.

If you have questions concerning your account, completion of the application or transmission of EFT payments, call the EFT Unit at (517) 636-4730. You may send a fax to (517) 636-4356 or send correspondence to:

EFT Unit

Return Processing - SUW

Michigan Department of Treasury

Lansing, Michigan 48922